

**February 7, 2000**  
**L-2000-06**

TO : Peter A. Larson  
Director of Fiscal Operations

FROM : Steven A. Bartholow  
General Counsel

SUBJECT : Experience Rating - Method of Accounting

This is in response to your inquiry as to whether your office may use the cash method of accounting to determine the balance to the credit of the Railroad Unemployment Insurance Account. The "balance to the credit of the account" is used under section 8(a)(14) of the RUIA to determine if a surcharge is applicable in determining the contribution rate under that section. It is your belief, based on newly released accounting standards, that the balance must be determined under the cash method of accounting for financial statement purposes. Under such a method, receivables, and accrued liabilities would not be used to determine the balance.

Although we have no objection to this method of accounting for financial statement purposes, as we stated in Legal Opinion 87-170, for experience rating purposes the balance should be determined on an accrual basis.